

OFFICE OF THE TREASURER

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**The Treasury Note**

A monthly newsletter of Municipal Finance

July 1, 1999

\$400 Million General Obligation Bonds

On June 9th the State held a competitive bond sale for \$400 million in General Obligation bonds. Syndicates led by J.P. Morgan Securities, Inc., Banc of America Securities LLC, Merrill Lynch & Co., and Lehman Brothers submitted bids. J.P. Morgan Securities, Inc. won the bid with the lowest true interest cost of 5.0765 percent. The three major rating agencies - Standard & Poor's, Moody's Investor Service, and Fitch IBCA, Inc. - gave the bonds ratings of A+, Aa3, and AA- respectively.

The bonds will support K-12 class size reduction, other public education facilities, correctional facilities, clean water and water conservation, transportation and clean air programs, and seismic retrofit.

**Getting Ready for the New Millennium**

As the year 2000 nears, the State would like to assure its bondholders that it has taken a proactive approach to the Year 2000 (Y2K) computer problem. The Y2K problem is the inability of some computers and computer software to properly manipulate dates and date-related data in the year 2000.

The State has been actively working on the Y2K problem resolution since 1996. The systems for bond payments are fully Y2K compliant. The State is confident that Y2K will not pose a problem to its bondholders.

For more information regarding compliance with Y2K please visit our website at:

<http://www.treasurer.ca.gov/pdf/y2000>

1999-00 RANs Appointments

The firms listed below have been appointed to the financing team assisting the State with the sale of the 1999-00 Revenue Anticipation Notes (RANs). The RANs sale is scheduled for this summer. If you are interested in purchasing these notes, you can contact your broker or any of the senior, co-senior or co-managing firms listed below.

Senior Manager:

Lehman Brothers

Co-Seniors:

Banc of America Securities LLC
E.J. De La Rosa & Co., Inc.
J.P. Morgan Securities Inc.
Morgan Stanley Dean Witter
Redwood Securities Group

Co-Managers (1st Tier):

Bear, Stearns & Co., Inc.
Fleet Securities, Inc.
Goldman, Sachs & Co.
Merrill Lynch & Co.
Salomon Smith Barney
Siebert Brandford Shank & Co., LLC

Co-Managers (2nd Tier):

Coast Partners Securities, Inc.
The Chapman Company
Dain Rauscher, Inc.
Fidelity Capital Markets
PaineWebber Incorporated
Samuel A. Ramirez & Co., Inc.
Stone & Youngberg LLC

Lead Note Counsel:

Orrick, Herrington & Sutcliffe LLP

Co-Note Counsel:

Law Offices of Marilyn L. Garcia

Disclosure Counsel:

Brown & Wood LLP

Financial Advisor:

Public Resources Advisory Group

Listing of Redemptions

This listing reflects redemptions officially announced as of July 1, 1999. These bonds will be redeemed on August 1, 1999.

State of California Veterans General Obligation Bonds, Series ZZ, Dated Date: April 1, 1979 (Full Redemption)

All bonds will be redeemed on August 1, 1999.

State of California Veterans General Obligation Bonds, Series AB, Dated Date: April 1, 1979 (Full Redemption)

All bonds will be redeemed on August 1, 1999.

State of California Veterans General Obligation Bonds, Series AC, Dated Date: August 1, 1979 (Full Redemption)

All bonds will be redeemed on August 1, 1999.

California Housing Finance Agency, Multifamily Rehabilitation Revenue Bonds, 1983 Issue A, Dated Date: December 1, 1983 (Partial Redemption)

\$160,000 of the bonds due August 1, 2004 will be redeemed on August 1, 1999.

State Public Works Board of the State of California, High Technology Facilities Lease Revenue Bonds (Trustees of the California State University) 1986 Series A (San Jose Facility), Dated Date: August 1, 1986 (Partial Redemption)

\$2,235,000 of the bonds due August 1, 2006 will be redeemed on August 1, 1999.

For questions regarding the purpose or timing of these calls or for redemption or registration information, please call (800) 900-3873.

Frequently Asked Questions

Q: Can investors purchase bonds directly from the State?

A: No, the State does not sell bonds directly to investors. The State sells the entire bond issue to an underwriting banker (or an underwriting syndicate for a large sale). The underwriting banker then sells these bonds to individual investors.

For more information regarding bond sales visit our website at <http://www.treasurer.ca.gov/stobond.htm> or call (800) 900-3873.

Q: Why are some bonds subject to the Federal Alternative Minimum Tax (AMT) and how does it affect me?

A: The tax laws governing AMT are complex. Generally, how the issuer uses the tax-exempt bond proceeds determines whether the interest on the bonds is subject to AMT. However, the source of income determines whether a taxpayer is subject to AMT. Please consult a tax professional to determine how AMT affects you.

If you are unsure about the tax-exempt status of your bond, please contact the *Investor Relations Section* at (800) 900-3873.

More Information & Assistance

To receive *The Treasury Note* monthly, enroll for direct deposit of your payments, or for bond related questions, please call:

(800) 900-3873

Bond Sales Calendar*

If you are interested in purchasing any of these bonds, please contact your broker two weeks before the sale date. For updated information regarding upcoming sales, please contact the *Debt Issuance Section* at (800) 900-3873.

BOND SALES	AMOUNT	SALE DATE
Revenue Anticipation Notes	To be determined	Summer 1999

*Subject to change without notice.
